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Bidder Questions & Treasury Answers

Commonwealth of Massachusetts IRC 457 Deferred Compensation Plan & Commonwealth Sponsored Non-Profit Plan Third-Party Administration & Recordkeeping Services

Questions received Jan 11, 2013; Answers posted to Comm-Pass Jan 17, 2013

1. QUESTION: On Page 31 of the RFR, Question #5, you state that there are 185,000+ non-voluntary plan participants. On page 64 of the RFR, you state that there are 162,000 part-time OBRA (active) participants. The Q&A from the Bidder's Conference, question #10 states that you have 171,985 mandatory OBRA accounts. Are these 160,000 to 200,000 mandatory OBRA participants all active OBRA participants? If so, how many in-active OBRA accounts do you have?

ANSWER: As of 09-30-2012 there were 171,985 active OBRA participant accounts. This figure includes both participants who are actively employed as well as participants who have separated from service or pending their first contribution.

2. QUESTION: In your Bidder's Conference Q&A, question #6, you state that 8.75 bp is the record-keeping and communication fee charged to full-time participant accounts. Is this fee also charged to part-time ("OBRA") accounts in addition to the \$18.48 annual fee?

ANSWER: No.

3. QUESTION: Would a response that only provides administration and record-keeping services for part-time participant ("OBRA") accounts be an option?

ANSWER: No. The scope of services for this RFR is to provide (1) recordkeeping, administration and trust services; (2) communication and educational services; (3) high quality, reasonably priced individual investment advice services; and (4) access to a mutual fund window for the 457 Deferred Compensation Plan, that would include both

full time and part-time participants as well as participants in any Commonwealth-Sponsored Retirement Plan for Employees of Non-Profit Organizations.

4. QUESTION: Would it be permissible for the selected third-party administrator to sub-contract out the OBRA administration to another third-party administrator?

ANSWER: No.

5. QUESTION: Is there a required frequency of statements for “OBRA” participants, i.e., quarterly, annual?

ANSWER: Yes. There would be a minimum requirement to provide OBRA participant statements on an annual basis.

6. QUESTION: Please provide approximate number of chartered non-profit organizations registered in Commonwealth of Massachusetts.

ANSWER: For a complete list of Non Profit organizations chartered in Massachusetts please contact the Office of the Secretary of State.

7. QUESTION: Of those that are registered in the Commonwealth of Massachusetts, how many non-profit organizations have 20 employees/ budget category of \$250,000 or less.

ANSWER: For a complete list of Non Profit organizations chartered in Massachusetts that have 20 employees or a budget category of \$250,000 or less , please contact the Office of the Secretary of State.

8. QUESTION: When do you anticipate the Letter of Determination from IRS? (bill was signed on March 22, 2012)

ANSWER: We do not have a specific date as to when the letter of determination will be issued by the IRS. We would estimate that the Letter of Determination, given the process and procedures required of this filing, to be issued by the IRS in the Spring of 2014.

9. QUESTION: Are bidders able to offer two separate proposals, one for the Commonwealth’s 457 plan and a separate offer for the Non Profit plans?

ANSWER: The service proposals should be the same for both Plans. The Treasury acknowledges that the cost proposal for each Plan may differ.

10. QUESTION: Will you consider delaying the non-profit plan implementation to mid-year 2014 at the earliest?

ANSWER: Yes. We would consider a delay in the implementation of the non-profit plan to accommodate operational start up and enrollment efforts.

11. QUESTION: How is pricing weighted for the non-profit plans?

ANSWER: In regards to the weighing of costs, in general costs represent 20% of the total score. The non-profit pricing would be weighted as 10% of the overall 20% of the cost factor.

12. QUESTION: Can the Non Profit plans be a different offering, i.e. - investment fund line up, product, pricing structure, etc?

ANSWER: No. The investment line up will be determined by the State. We are not seeking a separate bundled service for the non-profit plan. The pricing structure for the non-profit plan can differ from the 457 Plan cost structure.

13. QUESTION: Have the fees been modified by the current record keeper since the award of the contract? Please verify what the current record keeping and communication fees are for the 457b plan?

ANSWER: No. The current fee structure for record-keeping and communications is as follows:

- Record-keeping and communication fees for full-time participant accounts: 8.75 basis points
- Record-keeping and communication fees for part-time participant (OBRA) accounts: \$18.48 annual fee.

14. QUESTION: Can you confirm if the current record keeper retirement specialists are full time dedicated to the Commonwealth's SMART plan?

ANSWER: Yes. The regional representatives as well as customer service center staff are full-time employees.

15. QUESTION: What controls are in place currently with the current record keeper to ensure the Plan is administered according to the Plan provisions and ERISA guidelines?

ANSWER: The Plan record keeper is contractually obligated to operate the Plan in accordance with the Plan Document and all applicable federal, state and local laws and regulations.

16. QUESTION: Is it required to administer these plans according to ERISA and please confirm that the Non Profit requires 5500 filing?

ANSWER: Although it is not required, the 457 Plan is administered in accordance with ERISA guidelines. The Non-Profit Plan will be required to be administered in accordance with ERISA guidelines. All participating non-profit agencies will be required to file form 5500 and each participating non-profit would be considered a separate plan.

17. QUESTION: What areas of fiduciary responsibility does the current record keeper currently assume?

ANSWER: Please refer to section IV B (m) of the RFR.

18. QUESTION: Is it required to acknowledge in writing that our firm is the fiduciary within the context of ERISA and the Massachusetts General Laws?

ANSWER: Please refer to section IV B (m) of the RFR.

19. QUESTION: When will the plan be considering providing “Guaranteed Income” annuity products?

ANSWER: The Plan continues to monitor the various product offerings on the market regarding guarantee income solutions. We do not have a time line as to when the Plan might proceed with a guaranteed income product for plan participants.

20. QUESTION(S): In regard to payroll processing, please provide the following:

1. Under any circumstances would multiple pay frequencies apply to the same participant?

ANSWER: Yes.

2. Would a participant ever have more than one payroll schedule on the same source of money?

ANSWER: Yes.

3. How many accounts currently fall into the category of having more than one frequency per account?

ANSWER: Approximately 15,000.

4. Will payroll files received by the record keeper be split out by plan type?

ANSWER: Yes.

5. How often are new payroll schedules required?

ANSWER: Payroll files are received daily by various employers including multiple payroll schedules for different classes of employees.

6. How many different payroll file layouts are currently being utilized?

ANSWER: There are 700+ payroll centers under the plan. A standard file layout may be used, but a custom layout is accommodated for any employer who is not able to use the standard.

7. Can you please provide sample file layouts for the payroll?

ANSWER: The standard full PDI (Payroll Data Interface) layout is attached for reference.